BOVAR Inc.

ANNUAL REPORT 2002

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of BOVAR Inc. will be held in the
Glen 208 Room of the Telus Convention Centre
120 - 9th Ave. S.E., Calgary, Alberta,
on May 23, 2003 at 10:00 a.m.

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HIGHLIGHTS

- Purchase of Orbus Life Sciences Inc. on May 31, 2002 sets new direction for BOVAR
- Cambridge manufacturing plant obtains cGMP certification
- Markham manufacturing plant is completed and cGMP licence expected in second quarter of 2003
- Malaysian operation continues to perform well

FINANCIAL HIGHLIGHTS
As at December 31

(thousands of dollars except per share data)		**2002**		**2001**
OPERATING RESULTS				
Revenues	$	6,030	$	3,392
Operating income		26		434
Net earnings (loss) for the year		(349)		1,420
Per share - net earnings (loss)		(0.02)		0.09
Cash provided by (used in) operations		628		(272)
FINANCIAL POSITION				
Working capital	$	2,505	$	5,736
Total assets		15,914		9,994
Shareholders' equity		11,259		7,571

MESSAGE TO SHAREHOLDERS

The year 2002 was a very interesting year in the history of BOVAR Inc. ("BOVAR") and Orbus Life Sciences Inc. The merger between the companies on May 31, 2002 started the reinvention of BOVAR into a fully integrated pharmaceutical company.

The development of BOVAR in the past year reflects the realization of significant initiatives undertaken by BOVAR, specifically the acquisition and construction of a pharmaceutical manufacturing facility in Markham Ontario. It also reflects the successful certification of its antibiotic manufacturing facility in Cambridge Ontario.

BOVAR's net loss for the year ended December 31, 2002 was \$0.3 million (loss of \$0.02 per share) compared to net earnings of \$1.4 million (earnings of \$0.09 per share) in 2001. Revenues increased 77% to \$6 million in 2002 from \$3.4 million in 2001. Operating expenses increased by 103% to \$6.0 million from \$3.0 million. The increase in revenue and operating expenses is directly attributable to the May 31, 2002 merger with Orbus Life Sciences Inc.

With a line-up of generic products in the development stage, additional revenues are projected over time. The Company is planning to develop seven new generic products. These developments will add revenues upon commercialization. These additional revenues will allow BOVAR to maximize its marketing strategy, as well as add new products to be launched in the years to come. Its efforts in developing generic products for market once the patents expire will also be enhanced by North America's growing demand for contract manufacturers. BOVAR will exploit this demand on certification of its Markham facility. Negotiations are underway for contract manufacturing opportunities for both the Markham and Cambridge facilities in 2003.

The Company's Malaysian joint venture, which performs air and water quality monitoring for the entire country of Malaysia, continued to perform well. In addition to performance pursuant to its concession agreement, which continues for another 12 years, the joint venture increased its continuous water quality monitoring stations by 50% during the year and participated in several water quality studies as the country continues to focus on river and lake cleanup issues. The Company has in February 2003 increased its interest in this joint venture to 25% from 23.75%.

As the new year begins, BOVAR is in an excellent position, with products in its development pipeline and good indicators for sustainable growth for the long-term future. The Company plans to change its name at the annual shareholders' meeting on May 23, 2003 to Orbus Pharma Inc. in order to better reflect the main activity of the Company.

The significant achievements of the past year would not have been possible without the dedication of our employees and the confidence of our shareholders. On behalf of senior management and the Board of Directors, we would like to thank them for their continued support.

Jeffrey W. Renwick,
President and CEO

Franklin T. Bailey,
Chairman of the Board

REVIEW OF OPERATIONS

BOVAR - Orbus Division

On May 31, 2002 BOVAR completed the purchase and subsequent amalgamation with Orbus Life Sciences Inc. This acquisition marks a major turning point for the company as it transforms itself into a manufacturer and developer of generic drugs. Immediately following the merger of the two companies, construction started on the new Markham manufacturing plant. Management focus in 2002 was mainly on getting the existing Cambridge plant cGMP certified and completing construction of the newly acquired Markham facility. In late 2002, the Company announced that its Cambridge manufacturing plant had obtained its cGMP certification and sometime in the second quarter of 2003 cGMP certification of its newly constructed Markham plant is expected. The certification of these plants is a prerequisite to obtaining any contract manufacturing agreements or to the development of new generic drugs. Fiscal 2002 financial results were negatively affected by considerable funds spent on staff and resources needed to achieve the goals of certification of the Cambridge plant and completion of construction of the Markham plant.

Malaysian Joint Venture

During 2002, BOVAR held a 23.75% interest in Alam Sekitar Malaysia Sdn. Bhd. ("ASMA") which provides air and water quality data to the Malaysian Department of Environment and other clients. ASMA has met its equipment requirements under the Concession Agreement with the Government of Malaysia. ASMA also provides manual stack testing and river cleaning, wetland and lake monitoring projects.

Total ASMA revenues increased slightly to $11.7 million in 2002, compared to $10.9 million in 2001. Net income in 2002 was $2.1 million, compared to $2.9 million in 2001. BOVAR's share of ASMA's revenues for 2002 was $2.8 million, compared to $2.6 million for 2001. BOVAR's share of ASMA's net income was $0.5 million, compared with $0.7 million in 2001. The decrease in net income is a result of a higher income tax provision and foreign exchange losses.

Swan Hills Treatment Centre

On December 31, 2000, BOVAR completed the transfer of the Swan Hills Treatment Centre to the Province of Alberta. Windup of the operation continues.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and results of operations of BOVAR Inc. ("BOVAR" or the "Company") should be read in conjunction with the Company's consolidated audited financial statements and notes thereto. All amounts referred to are expressed in Canadian dollars and are in accordance with Canadian generally accepted accounting principles ("GAAP"), unless otherwise indicated.

Overview

BOVAR's operations have gone through significant changes over the past three years. On December 31, 2000, the Swan Hills Treatment Centre was returned to the Province of Alberta. During 2001, BOVAR's Canadian operations were busy both winding down this operation and looking for an investment opportunity that could increase shareholder value. In 2002, an agreement was concluded with Orbus Life Sciences Inc. that saw the amalgamation of the two organizations. As a result, the management discussion and analysis of financial condition and results of operations have excluded any comparisons of 2001 to 2000, as it would not be meaningful.

BOVAR's Canadian operations consist of a cGMP certified generic antibiotics manufacturing facility in Cambridge, Ontario, and a newly constructed oral dosage manufacturing facility in Markham, Ontario. Together, these plants, along with its raw material trading business, operate as Orbus Pharma ("Orbus") a division of BOVAR. The cGMP certification of the Markham facility is expected in the second quarter of 2003. The Markham facility also houses the head office and administrative staff of the Company. The Company also maintains an office in Calgary, Alberta.

Orbus develops and produces generic pharmaceuticals and performs contract manufacturing for other pharmaceutical companies. The Company believes these two business segments offer significant long-term growth potential. It has invested, through the acquisition of Orbus Life Sciences Inc. and direct expenditures, and has further committed to invest considerable financial and management resources in developing these businesses including:

- $3.1 million to acquire and upgrade the 10,000 square foot antibiotics manufacturing facility in Cambridge, Ontario;
- $5.0 million to purchase, renovate and equip the 21,000 square foot Markham manufacturing and head office location;
- Seeking contract manufacturing agreements; and
- Commited to develop up to seven new generic drugs in the short term under cost sharing arrangements with Canadian and European partners.

Orbus is in the early stages of its business development. The Cambridge plant has recently obtained its cGMP certification but has yet to generate revenue from contract manufacturing. The Company is in various stages of negotiation with several pharmaceutical companies to bring contract manufacturing work to this plant.

The Company's strategy of seeking partners, under cost sharing arrangements, for developing new drugs is to permit the development of more drugs than would otherwise be available with existing financial resources. The Company believes that in the future, when cash flow permits, new drug developments will be carried out without partners.

Orbus Life Sciences Inc. started business operations on April 1, 2000 as a trading company in raw materials supplying the pharmaceutical, veterinary and food industries. This trading business is still active today and has provided sales, earnings and cash flow in the initial stages of the Company's existence and continues to do so while it is developing its business of contract manufacturing and drug development. The Company expects the raw material trading business to decrease in significance compared to the overall business in the future. The trading business tends to have lower margins than contract manufacturing and the sale of dossiers (after a drug development is successful).

Orbus Life Sciences Inc. became part of BOVAR on May 31, 2002 when 100% of the issued and outstanding shares of Orbus Life Sciences Inc. were purchased for total consideration of $5.2 million, consisting of 12.5 million shares at fair market value of $0.35 per share, plus a calculated value of the existing Orbus Life Sciences Inc.'s stock options at the time of the merger, legal and other closing expenses. Results therefore include Orbus operations since June 1, 2002. A five-for-one consolidation of the outstanding common shares of BOVAR was also completed with this transaction. All financial results reflect this common share consolidation applied retroactively.

The Company also has a 23.75% joint venture interest in a Malaysian company ASMA. ASMA's operations principally consist of providing monitoring of ambient air and surface water in Malaysia. In February 2003 the Company increased its interest in this joint venture by 1.25% for a total of 25%. Total cost of purchasing this additional 1.25% was $0.3 million.

Competition and Markets

Orbus is in the early stages of its business development. Its strategy in the early stages is to focus first on contract manufacturing work and second on the development of new generic drugs. It is BOVAR's intention to have it's drug development projects carried out with Canadian and European partners. This strategy will allow BOVAR to initially develop more new generic drugs as the development costs are shared with partners. The Company has also been developing relationships with individuals and other companies that are helping with the current and future marketing needs of the Company. Our in-house sales team is generally involved in the selling of raw materials.

Risk Factors

While BOVAR has a 23.75% joint venture interest (25% after February 5, 2003) that contributes sales, and has revenue from its raw material trading business, most of its future revenue and success will depend on contract manufacturing agreements to be signed and products that are still under development. Significant contract manufacturing contracts have not been signed and there can be no assurance at this stage that any new products the Company develops will receive regulatory approval. If approved, some of these products will compete with established products produced by companies with proven track records. These manufacturers could employ intellectual property challenges against commercialization of these products by Orbus. There can be no assurance that the Company's products will be commercialized or, if commercialized, that the existing medical establishment will accept them in lieu of existing treatments. Given the competitive environment for generic pharmaceuticals, future prices for products currently under development may not yield profitable results. Accordingly, there can be no assurance that these products can be successfully manufactured and marketed at prices that would permit the Company to operate profitably. Successful commercialization of products also depends on Orbus establishing future strategic alliances and distribution arrangements. Orbus intends to rely on third party distributors in many international markets and cannot guarantee that they will effectively sell our products or will successfully register products in new jurisdictions.

Once Orbus signs contract manufacturing agreements and obtains approvals for new generic drugs its ability to supply product requires the availability of sufficient raw material to manufacture the product. Orbus believes it has good supplier relationships. There can be no guarantees, however, that shortages of raw material will not occur or that raw material prices will not increase significantly, resulting in lower margins or losses.

Orbus undertakes a stringent quality control, quality assurance and regulatory review process, however, its ability to manufacture and ship product is subject to numerous regulatory requirements, which are complex and evolving. The continued future supply of product can be interrupted should compliance ever become an issue. There can be no guarantees that the Company will remain in compliance at all times.

Orbus relies on certain key personnel. Its business could be adversely affected if the Company is unable to attract or retain personnel in key areas.

BOVAR currently derives a significant portion of its revenue from its 23.75% (25% after February 5, 2003) owned joint venture interest in ASMA. This operation's business is transacted in ringgits, the national currency of Malaysia. The financial results of ASMA are translated into Canadian dollars for consolidation purposes and currency fluctuations could affect future profits. Although political events have had no effect on the Company's joint venture interest in Malaysia or its ability to ship product in the past, there can be no guarantees that world events will not impede ASMA's operations or Orbus's distribution of products in the future.

The stock prices of pharmaceutical companies, including BOVAR, can be extremely volatile. The price is affected by the stock market generally and could be subject to wide fluctuations due to factors such as: announcements by the Company or its competitors about strategic relationships or joint ventures; results of drug developments; announcements by Orbus or its competitors of technological innovations or new

commercial products; expense and time frame for obtaining regulatory approvals for marketing new products; changes in estimates of revenue, operating efficiencies, costs or other financial considerations; or recommendations of securities analysts with respect to investment in BOVAR's stock. These market, industry and Company-specific factors may materially affect BOVAR's stock price regardless of operating performance.

RESULTS OF OPERATIONS

Fiscal year ended December 31, 2002 compared with the fiscal year ended December 31, 2001

Revenues

Revenues increased during the year to $6.0 million from $3.4 million in the previous fiscal year. The increase is mostly attributable to the purchase and subsequent amalgamation with Orbus Life Sciences Inc., which resulted in a new source of revenue for the Company. The amalgamation took place on May 31, 2002 and the total revenue for the year includes the Orbus division's results from June 1, 2002 to December 31, 2002.

The table below shows revenue sources for the years ended December 31, 2002 and 2001:

(millions of dollars)	**Total 2002**	**Total 2001**
ASMA	$ 2.8	$ 2.6
Miscellaneous income	-	0.8
Orbus division (from June 1, 2002)	3.2	-
	$ 6.0	**$ 3.4**

Operating Expenses

Overall operating expenses in 2002 increased by $3.0 million over the previous year and include seven months of results of the Orbus division. In the previous year, the operating expenses were attributable to only ASMA and BOVAR head office operating expenses. The table below shows the breakdown of operating expenses between Malaysian operations and Canadian operations in fiscal 2002.

Operating Expenses *(in thousands of dollars)*	**Canadian Operations**	**Malaysian Operations**	**Total 2002**
Direct and Indirect	$ 2,256	$ 1,125	$ 3,381
Administrative and selling	1,465	409	1,874
Research and development	136	0	136
Depreciation and amortization	273	340	613
Totals	**$ 4,130**	**$ 1,874**	**$ 6,004**

Financing

BOVAR does not have any outstanding operating lines of credit. BOVAR has mortgages in place on its properties in Cambridge and Markham, Ontario (see Note 9 to the consolidated financial statements for details of these arrangements). Subsequent to the year-end, the mortgage for $375,000 was paid off and all other mortgages were refinanced with the Business Development Bank of Canada ("BDC") under a new long-term mortgage loan arrangement covering both properties (see Note 18 of the consolidated financial statements for details). The Company has also made arrangements with the BDC for an $800,000 equipment term loan to refinance both existing and new manufacturing equipment. Draw down of any excess amount over $250,000 on this $800,000 loan facility is conditional on the Company receiving cGMP approval of its Markham manufacturing plant.

Restructuring Costs

Restructuring costs of $3.8 million were recorded in fiscal year 2000 and included severance and personnel costs, termination of leases and contracts, storage, legal and other costs relating to ceasing operations at the Swan Hills Treatment Centre. At December 31, 2001, $0.9 million remained payable on account of this restructuring cost. During the fiscal year ended December 31, 2002, the Company settled accruals of $0.5 million and provided additional expenses totalling $0.2 million, and has $0.5 million remaining payable at December 31, 2002. The additional liabilities that arose during the course of the year were directly related to the ceased operations of the Swan Hills Treatment Centre.

Income Taxes

In fiscal 2002, the income tax expense related to the ASMA joint venture. There was no income tax expense in the Canadian operations. The net 2001 income tax recovery of $0.1 million resulted from a recovery of Canadian large corporations taxes of $0.4 million offset by joint venture current income tax expense of $0.3 million. At December 31, 2002, BOVAR had Canadian income tax losses to be carried forward of approximately $61.7 million ($67.6 million in 2001). See Note 10 to the consolidated financial statements for additional information.

Net Income

Net loss for the year was $0.3 million (loss of $0.02 per share) compared to a $1.4 million profit (earnings of $0.09 per share) in fiscal 2001. During the year, Orbus invested considerable time and expense to bring the Cambridge facility to cGMP certification and to build the Markham manufacturing plant, certification of which is expected in the second quarter of 2003. These facilities are not yet producing revenue but are costing money to staff and operate during this early stage development period. All expenses related to operating and maintaining these facilities after construction is completed are expensed in the accounts. In 2002, $0.2 million was written off in pre-operating expenses.

FINANCIAL RESOURCES AND LIQUIDITY

Operations

Cash provided by operations and working capital was $0.6 million compared to cash used of $0.3 million in 2001. The movement in cash provided by operations is primarily related to ASMA's operations, as Orbus' business is not contributing positive cash flow at this time.

Investing Activities

Capital expenditures of $2.8 million were made in fiscal 2002 and are broken down as follows: Orbus $2.6 million and ASMA $0.2 million. Capital expenditures of $0.1 million in 2001 are related to ASMA. In 2001, BOVAR sold housing units and equipment for net proceeds of $0.2 million. Capital expenditures in Orbus are directly related to the Cambridge and Markham, Ontario manufacturing plants.

Dividend

During 2001, BOVAR declared and paid a dividend out of surplus cash. The total dividend was $15.7 million or $0.20 per share, (before the five-for-one share consolidation that occurred May 31, 2002). No dividends were paid in 2002.

LIQUIDITY AND CAPITAL RESOURCES

Cash at December 31, 2002 was $2.9 million compared to $5.8 million at December 31, 2001. The decrease was mainly due to the construction of a new manufacturing facility in Markham, Ontario and the financing of operating losses in Orbus since June 1, 2002.

The Company is financing its operations, product development and capital expenditures with the existing cash on hand, cash flow from operations and additional long-term debt arrangements that have been put in place in the last several months. Product development arrangements are being negotiated on a cost-sharing basis to decrease the up-front cash outlay required for these projects. The Company believes it will generate sufficient cash flow from these sources to meet future operating and capital expenditures of the Company. The Company closely monitors its cash and cash requirements for the future. The Company has an aggressive development budget for 2003 and will selectively defer development expenditures if cash flow from operations falls short of expectations.

ADDITIONAL COMMENTS

The foregoing report contains forward-looking comments that involve risks and uncertainties. While the comments reflect management's judgment, there can be no guarantees for such events as regulatory approval, commercial success of new products, pricing, availability of raw materials or possible litigation. Actual results may differ materially from those projected.

SELECTED QUARTERLY INFORMATION

(Unaudited)
(in thousands of dollars, except per share data)
For the year ended December 31, 2002

	Quarter ended				
	March 31	**June 30**	**Sept. 30**	**Dec. 31**	**Total**
Revenues	$ 685	$ 1,102	$ 1,892	$ 2,351	$ 6,030
Operating earnings (loss)	(62)	(23)	302	(191)	26
Net earnings (loss) for the period	246	107	264	(966)	(349)
Cash provided by (used in) operations	594	(301)	466	(131)	628
Weighted average number of shares outstanding	15,708	19,951	28,225	28,225	23,047
Net earnings (loss) per share	$ 0.02	$ -	$ 0.01	$ (0.03)	$ (0.02)

For the year ended December 31, 2001

	Quarter ended				
	March 31	**June 30**	**Sept. 30**	**Dec. 31**	**Total**
Revenues	$ 635	$ 668	$ 693	$ 1,396	$ 3,392
Operating income (loss)	(143)	(60)	130	507	434
Net earnings (loss) for the period	97	165	157	1,001	1,420
Cash provided by (used in) operations	(364)	(166)	68	190	(272)
Weighted average number of shares outstanding	15,674	15,685	15,708	15,708	15,694
Net earnings per share	$ 0.01	$ 0.01	$ 0.01	$ 0.06	$ 0.09

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements are the responsibility of management. They have been prepared in accordance with accounting principles generally accepted in Canada, consistently applied, using management's best estimates and judgements, where appropriate. Management is responsible for the reliability and integrity of the consolidated financial statements, the notes to the consolidated financial statements and other information contained in this annual report. In the preparation of these statements, estimates are sometimes necessary, as a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgements and have been properly reflected in the accompanying consolidated financial statements.

Management is also responsible for a system of internal control which is designed to provide reasonable assurance that assets are safeguarded and accounting systems provide timely, accurate financial reports.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee of the Board, which is composed of three outside directors. The Committee meets with management and the auditors to satisfy itself that responsibilities are properly discharged and to review the financial statements.

The consolidated financial statements have been audited on behalf of the shareholders of the Company by PricewaterhouseCoopers LLP, in accordance with generally accepted auditor standards and their report is contained herein.

Jeffrey W. Renwick
President and
Chief Executive Officer

Denis C. Arsenault, C.A.
Vice President Finance and
Chief Financial Officer

AUDITORS' REPORT

To the Shareholders of BOVAR Inc.

We have audited the consolidated balance sheets of BOVAR Inc. as at December 31, 2002 and 2001 and the consolidated statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of BOVAR Inc. as at December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Toronto, Canada
March 28, 2003

CONSOLIDATED BALANCE SHEETS

As at December 31

(in thousands of dollars)		2002		2001
ASSETS				
Current assets				
Cash and cash equivalents (Note 5)	$	2,895	$	5,811
Accounts receivable		2,210		1,889
Inventories (Note 6)		523		75
		5,628		7,775
Property, plant and equipment (Note 7)		8,940		2,189
Product rights (Note 8)		1,169		-
Other assets		177		30
	$	15,914	$	9,994
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	2,688	$	2,039
Current portion of long-term debt (Note 9)		435		-
		3,123		2,039
Long-term debt (Note 9)		1,219		-
Future income taxes (Note 10)		313		384
		4,655		2,423
Shareholders' equity (Note 11)				
Common shares		4,426		45
Other equity (Note 3)		675		-
Retained earnings		7,177		7,526
Cumulative translation adjustment		(1,019)		-
		11,259		7,571
	$	15,914	$	9,994

Approved by the Board

Director   Director

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

For the years ended December 31

(in thousands of dollars, except per share data)		**2002**		**2001**
Revenues	$	6,030	$	3,392
Operating expenses				
Direct and indirect		3,381		918
Administrative and selling		1,874		1,672
Research and development		136		-
Amortization		613		368
		6,004		2,958
Earnings before undernoted items		26		434
Interest income - net (Note 12)		102		847
Miscellaneous income		310		-
Restructuring costs (Note 13)		(158)		-
Pre-operating costs		(222)		-
Foreign exchange loss		(72)		-
Gain on disposal of property, plant and equipment		2		116
Earnings (loss) before income taxes		(12)		1,397
Income tax expense (recovery) (Note 10)				
Current		408		(90)
Future		(71)		67
		337		(23)
Net earnings (loss) for the year		(349)		1,420
Retained earnings, Beginning of year		7,526		21,814
Dividends		-		(15,708)
Retained earnings, End of year	$	7,177	$	7,526
Earnings (loss) per share - basic and diluted (Note 14)	$	(0.02)	$	0.09

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31

(in thousands of dollars)		**2002**		**2001**
CASH PROVIDED BY (USED IN)				
Operating activities				
Net earnings (loss) for the year	$	(349)	$	1,420
Add non-cash items				
Amortization		613		368
Gain on disposal of property, plant and equipment		(2)		(116)
Gain on disposal of joint venture's property, plant and equipment		-		(558)
Future income taxes		(71)		67
		191		1,181
Change in non-cash working capital balances related to operations (note 5)		437		(1,453)
		628		(272)
Investing activities				
Purchase of property, plant and equipment		(2,792)		(130)
Proceeds from sale of property, plant and equipment		2		211
Acquisition of Orbus Life Sciences Inc.		(27)		-
Decrease (increase) in other assets		(147)		179
		(2,964)		260
Financing activities				
Repayment of long-term debt		(54)		-
Dividends paid		-		(15,708)
Issuance of common shares		-		44
		(54)		(15,664)
Effect of exchange rate changes on cash and cash equivalents		(526)		-
Decrease in cash and cash equivalents during the year		(2,916)		(15,676)
Cash and cash equivalents, Beginning of year		5,811		21,487
Cash and cash equivalents, End of year (Note 5)	$	2,895	$	5,811

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

BOVAR Inc. ("the Company" or "BOVAR") is a Canadian public company, which is listed on the Toronto Stock Exchange under the symbol BVR. BOVAR's principal business operates under the name of Orbus Pharma (a division of BOVAR Inc.). Orbus Pharma ("Orbus") has mainly supplied fine chemicals to the international pharmaceutical industry and is in the early stages of changing its business to become a contract manufacturer as well as a developer and manufacturer of generic drugs. BOVAR also has a 23.75% joint venture interest in a Malaysian company, Alam Sekitar Malaysia Sdn. Bhd. ("ASMA") (see Notes 4 and 18).

The accompanying financial statements have been prepared on a going concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. To date, the Company has generated sufficient revenues to finance operations. However, it is expected that most of BOVAR's future revenues will depend on the success of Orbus, which is currently in the development stage. The Company is devoting most of its efforts to establish the planned principal operations of Orbus. There can be no assurance at this stage that Orbus will be successful in obtaining profitable contract manufacturing agreements. Further, there is no assurance that any new products the Company develops will receive regulatory approval, or will be successfully manufactured and marketed at volumes and prices that would permit the Company to operate profitably.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of BOVAR and all of its subsidiaries. Intercompany balances and transactions have been eliminated. The Company's joint venture activities (see Note 4) have been proportionately consolidated at the rate of 23.75%.

Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent amounts and the reported amounts of revenues and expenses. Actual results may differ from those estimates.

Foreign currency translation

Foreign currency assets and liabilities of the Company's operations are translated at the rate of exchange in effect at the balance sheet dates for monetary items and at the historical exchange rates for non-monetary items. Foreign currency revenues and expenses are translated at the exchange rate in effect on the dates of the related transactions. Gains and losses resulting from the translation of assets and liabilities denominated in foreign currencies are included in income.

Effective June 1, 2002, the Company determined that its Malaysian operation had become self-sustaining and, accordingly, began to translate this self-sustaining foreign operation using the period-end exchange rate for assets and liabilities and the average exchange rate in effect for the period for revenue and expenses. Exchange gains or losses arising from translation are deferred and included under shareholders' equity as cumulative translation adjustments.

Prior to June 1, 2002, the Company viewed its foreign operations as integrated and accordingly used the temporal method for translation. Under the temporal method, the translation of assets, liabilities, revenue and expenses of the foreign operations is consistent with the translation method used to translate the Company's foreign currency transactions as described in the first paragraph to this note.

Cash and cash equivalents

The Company considers cash equivalents to be highly liquid investments and investments with a maturity of three months or less at the date of purchase.

Inventories

Inventories of raw materials and packaging materials are valued at the lower of cost and replacement cost. Inventories of work-in-progress, finished goods and spare parts and consumables are valued at the lower of cost and net realizable value. Cost is determined on the weighted average basis.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Expenditures for additions, improvements and replacements including interest incurred during the construction period on new facilities and during the renovation period of major renovations to existing facilities are capitalized. Interest is capitalized based on the borrowing rate of debt related to the project. Maintenance, repairs and minor renewals and replacements are charged against income when incurred. Amortization is provided at rates designed to amortize the assets over their estimated economic lives. The unamortized portions of property, plant and equipment are reviewed regularly and compared with their net recoverable amounts and any impairment in value is recorded as a charge to income.

Amortization is provided using the following methods and annual rates and periods:

	Basis	**Rate/period**
Buildings	Straight-line	20 years
Manufacturing equipment	Straight-line	5 to 10 years
Office furniture and equipment	Straight-line	5 years
Computer equipment	Straight-line	3 years
Vehicles	Straight-line	5 years
Leasehold improvements	Straight-line	Term of lease or five years

Product rights

The product rights were acquired in the acquisition of Orbus Life Sciences Inc. (see Note 3). They are recorded at values based on the estimated present value of net cash flows that, on acquisition, were expected to be received over the estimated life of the product rights acquired. They are amortized on a straight-line basis over a period of five years from the acquisition date of May 31, 2002. If any formulation is found to have insufficient market potential or insufficient internal application to recover the investment, any unamortized balance in respect of that formulation will be written off and charged to income.

Revenue recognition

Revenue from the sale of products is recognized when the risks and rewards of ownership have been transferred to customers, which is considered to have occurred upon shipment or delivery depending on the shipping terms and when ultimate collection is reasonably assured. Provisions are recorded for returns.

Research and development

Research and development costs are expensed as incurred unless a development project meets the criteria for deferral under Canadian generally accepted accounting principles. Related government grants and tax incentives are recorded as a reduction of expenditures in the period when reasonable assurance of realization is obtained.

Deferred pre-operating costs

During the development and pre-operating phases of new businesses or facilities, incremental costs are deferred if costs are expected to produce future benefits with reasonable certainty. Once commercial operations have commenced, the costs are amortized on a straight-line basis over five years.

Future income taxes

Income taxes are accounted for using the liability method of income tax allocation. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted or substantially enacted tax rates that will be in effect when the differences are expected to reverse. As appropriate, a valuation allowance is recorded to reduce future income tax assets to an amount at which the realization is more probable than not. The effect on future income tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the date of enactment or substantive enactment.

Earnings (loss) per share

Basic earnings (loss) per share are calculated using the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share reflect the assumed conversion of all diluted securities using the treasury stock method. Under this method, when the exercise price of options and warrants exceeds the average market price of the Company's common shares for the year, they are excluded from the calculation of fully diluted earnings (loss) per share.

Stock-based compensation

The Company has not recognized compensation expense for stock options granted to officers and employees in the consolidated statements of operations, but has made pro forma disclosures of net earnings (loss) and earnings (loss) per share as if the fair value based accounting method had been used to account for stock-based compensation for any options granted after January 1, 2002. Any cash paid by the employee on the exercise of stock options is credited to common shares.

Comparative figures

Certain of the prior years' figures have been reclassified to conform with the presentation adopted in 2002.

3. ACQUISITION OF ORBUS LIFE SCIENCES INC.

On April 25, 2002, the Company entered into an agreement to acquire all of the issued and outstanding shares of Orbus Life Sciences Inc. ("Orbus LSI") for total consideration of $5,200. The consideration consisted of 12,517 (pre-consolidation - 62,584) common shares at a fair market value of $0.35 (pre-consolidation - $0.07) per share, an exchange of Company common stock options and warrants with a fair value of $675 and legal and other expenses. Orbus LSI is a pharmaceutical company that distributes fine chemicals and currently manufactures pharmaceuticals for the export market. The acquisition closed May 31, 2002 and is accounted for as a purchase, and operations are included in the consolidated financial statements from the date of acquisition. The allocation of the purchase price was determined based on management's best estimates of the fair value of the net identifiable assets acquired.

The purchase price is as follows:

Value of common shares issued	$	4,381
Fair value of Orbus LSI common stock options and warrants exchanged for options of BOVAR (other equity)		675
Transaction costs		144
	$	5,200

The net assets acquired at fair values are as follows:

Cash	$	117
Accounts receivable		643
Inventories		424
Property, plant and equipment		4,911
Product rights		1,323
Other		107
Accounts payable and accrued liabilities		(617)
Mortgages payable		(1,708)
	$	5,200

The Company exchanged stock options and warrants held in Orbus LSI for stock options and warrants of the Company at the purchase closing date. The Company calculated the value of each option and warrant on the date of exchange using the Black-Scholes pricing model with the following weighted average assumptions: expected dividend yield - zero; expected volatility - 80%; risk-free interest rate - 5.00%; expected option life of employee stock options - five years; expected life of broker and investor options and warrants - 1.34 years.

4. JOINT VENTURE

The Company's results include the operations carried through its 23.75% joint venture interest in a Malaysian company, Alam Sekitar Malaysia Sdn. Bhd. ("ASMA") (Note 18). ASMA's operations principally consist of providing monitoring of ambient air and surface water in Malaysia. BOVAR's proportionate share of ASMA's results are as follows:

		2002		2001
Current assets	$	2,572	$	1,948
Long-term assets		1,530		2,167
Current liabilities		2,101		525
Future income taxes		313		384
Revenues		2,788		2,600
Expenses		2,246		1,915
Net income		542		685
Cash flows provided by operating activities		1,544		685
Cash flows used in investing activities		(205)		(130)

Revenues generated from ASMA are generally from one customer and represent approximately 85% of ASMA's total revenue and 74% of total receivables. At December 31, 2002, a total of $121 is due from ASMA after proportionate consolidation.

5. SUPPLEMENTAL CASH FLOW DISCLOSURE

a) Cash and cash equivalents:

		2002		2001
Cash	$	1,410	$	128
Term deposits		1,485		5,683
	$	2,895	$	5,811

b) Change in non-cash working capital balances related to operations:

		2002		2001
Accounts receivable	$	429	$	6,543
Inventories		(24)		(74)
Accounts payable and accrued liabilities		32		(7,922)
	$	437	$	(1,453)

c) Other:

	2002	2001
Cash paid for		
Income taxes	$ 362	$ 289
Large corporations tax	-	41
Interest (Note 12)	57	-
Non-cash transactions		
Issuance of common shares for acquisition of Orbus LSI (Note 3)	4,381	-
Fair value of stock options and warrants exchanged for options of BOVAR (Note 3)	675	-

6. INVENTORIES

	2002	2001
Raw materials and packaging	$ 381	$ -
Work-in-process	81	-
Finished goods	29	-
Spare parts and consumables (i)	32	75
	$ 523	$ 75

i) The spare parts and consumables inventory is held by ASMA, the Company's joint venture.

7. PROPERTY, PLANT AND EQUIPMENT

	2002		
	Cost	Accumulated amortization	Net book value
Land	$ 675	$ -	$ 675
Buildings	5,980	32	5,948
Manufacturing equipment	3,584	1,476	2,108
Office furniture and equipment	65	48	17
Computer equipment	270	169	101
Vehicles	248	181	67
Leasehold improvements	96	72	24
	$ 10,918	$ 1,978	$ 8,940

	2001		
	Cost	Accumulated amortization	Net book value
Land	$ -	$ -	$ -
Buildings	32	11	21
Manufacturing equipment	3,352	1,308	2,044
Office furniture and equipment	122	106	16
Computer equipment	218	169	49
Vehicles	168	133	35
Leasehold improvements	78	54	24
	$ 3,970	$ 1,781	$ 2,189

Buildings include two facilities in Ontario namely: a generic antibiotics manufacturing facility in Cambridge, which commenced operations on October 1, 2002; and a newly constructed oral dosage manufacturing facility including administrative offices in Markham, which commenced operations in January 2003. Accordingly, amortization on these facilities is calculated from the date of commencement of operations.

Capital commitments to complete authorized capital projects in Canada are $771. ASMA has approved but not contracted for $240 worth of capital commitments. The majority of these expenditures are expected to be incurred in the year ending December 31, 2003. In the fiscal year ended December 31, 2002, a total of $39 in interest costs were capitalized as part of buildings.

8. PRODUCT RIGHTS

Product rights included in Orbus LSI acquisition	$ 1,323
Amortization	(154)
Balance, end of year	$ 1,169

9. LONG-TERM DEBT

First mortgage on Cambridge building, renewed in August 2002, bearing interest at 8% per annum, repayable in full on August 15, 2004, interest only payable on the 15th of each month, repaid February 5, 2003 (see Note 18)	$	300
Third mortgage, non-interest bearing, due on December 31, 2002, convertible in part or in full to 466 common shares at $0.81 per share until December 31, 2002, repaid January 7, 2003 (see Note 18)		375
First mortgage on Markham property, bearing interest at the institution's floating rate of 5.25% (on April 16, 2002) and may be fixed at the option of the Company; the principal is to be repaid by a payment of $1 on August 20, 2002, monthly payments of $5 commencing on September 20, 2002, monthly payments of $7 commencing on January 20, 2011, with the final payment due March 20, 2017, repaid February 5, 2003 (see Note 18)		979
		1,654
Less: Principal repayments due within one year		435
	$	1,219

The first mortgage on the Cambridge building is due to a group of investors, two-thirds of whom are shareholders of the Company. Interest paid to these shareholders in 2002 was $10.

Long-term debt is repayable as follows:

2003	$	435
2004		360
2005		60
2006		60
2007		60
Thereafter		679
	$	1,654

10. INCOME TAXES

At December 31, 2002, the Company has future income tax assets of $26,600 (2001 - $35,300) that have arisen from the tax effects of temporary differences relating to property, plant and equipment of $5,600 (2001 - $8,500) and operating loss carry-forwards of $61,693 (2001 - $67,600). Management has recorded a valuation allowance for the total amount of future income tax assets. The future income tax liability is generated from the joint venture and is a result of temporary differences relating to property, plant and equipment.

The provision for income tax expense reflects Canadian large corporations tax expense of $nil (2001 - $362 recovery), joint venture current income tax expense of $408 (2001 - $272) and future income tax recovery of $71 (2001 - $67 expense).

The Company's non-capital losses carried forward, which all relate to the Canadian operations, expire as follows:

2003	$ 7,563
2004	13,274
2005	10,547
2006	9,934
2007	19,662
Period ending 2008	713
	$ 61,693

11. SHAREHOLDERS' EQUITY

a) Authorized share capital

An unlimited number of Class A, Class B, and Class C, preferred shares without par value
10,000,000 Class Z, preferred shares without par value
An unlimited number of non-voting convertible shares without par value
An unlimited number of shares, designated as common shares without par value

The preferred shares may be issued from time to time in one or more series. The Company's Board of Directors has the authority to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attaching to the shares of each series.

b) Common shares

	Number of shares	Amount
Balance at January 1, 2001	15,662	$ 1
Issued under stock option plan	46	44
Balance at December 31, 2001	15,708	45
Issued for the acquisition of Orbus LSI (Note 3)	12,517	4,381
Balance at December 31, 2002	28,225	$ 4,426

i) The share numbers reflect a five-for-one share consolidation on May 31, 2002 that was applied retroactively. The weighted average number of common shares outstanding during the year was 23,047 (2001 - 15,694).

c) Stock options

The Company has an employee stock option plan (the "Plan"). The aggregate number of shares reserved for issuance under the Plan, taking into account the five-for-one stock consolidation on May 31, 2002, shall not exceed 10% of the common shares issued and outstanding. Under the Plan, the Human Resources Committee of the Board of Directors of the Company is authorized to determine how many and to whom the options will be granted. The Human Resources Committee of the Board of Directors fixes the option price on the day of each grant at an amount equal to the last reported sale price on the day preceding the grant for a board lot of common shares of the Company traded on the Toronto Stock Exchange. Options granted under the Plan expire on the fifth anniversary of the granting of the option and may be exercised at the rate of 20% or 25% of the grant

in each year prior to the expiry date for so long as a participant remains an employee of the Company or its subsidiaries. The right to exercise options within the five-year period is cumulative. At the time of exercise of options, the purchase price of the common shares must be paid in full.

Option activity for the year, including the restatement as described in (i) above, is as follows:

	2002		2001	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Balance, Beginning of year	46	$0.30	583	$1.50
Exchanged as part of Orbus LSI acquisition	1,462	0.85	-	-
Exercised	-	-	(46)	0.95
Granted	500	0.48	-	-
Forfeited	(261)	1.04	(491)	1.58
Balance, End of year	1,747	$0.70	46	$0.30

Options outstanding at December 31, 2002 are as follows:

Exercise price	**Number of options outstanding**	**Remaining life (years)**	**Number exercisable**
Options at $0.30	46	1.2	46
Options at $0.475	500	4.3	125
Options at $0.81	1,201	4.3	240
Outstanding at December 31, 2002	1,747	4.2	411

At December 31, 2002, there were 1,747 (2001 - 46) options to purchase common shares, with a weighted average remaining term of 4.2 years (2001 - 2.2 years).

The following is pro forma information with respect to fair value accounting for stock options, including the restatement as described in (i) above, and includes all options granted by the Company during 2002:

	2002	2001
Net earnings (loss) for the year		
As reported	$ (349)	$ 1,420
Compensatory fair value of options granted	(15)	-
Pro forma	$ (364)	$ 1,420
Basic and diluted earnings (loss) per share (i)		
As reported	$ (0.02)	$0.09
Pro forma	(0.02)	0.09

The Company calculated the value of each option on the date of grant using the Black-Scholes pricing model with the following weighted average assumptions: expected dividend yield - zero; expected volatility - 80%; risk-free interest rate - 5.00%; expected option life of employee stock options - five years.

d) Warrants

Pursuant to the acquisition of Orbus LSI as described in Note 3, the Company exchanged special warrants in Orbus LSI for 613 special warrants in the Company. Each special warrant entitles the holder, upon exercise thereof, to acquire one common share at a price of $1.07 per share until May 31, 2004. At December 31, 2002, the 613 special warrants remained outstanding.

The Company also exchanged agent warrants in Orbus LSI for 559 agent warrants in the Company. The holder of the agent warrants is entitled to acquire 559 units at a price of $0.81 per unit, exercisable on or before November 30, 2003. Each unit consists of one common share and one-half share purchase warrant of the Company. Each full share purchase warrant entitles the holder to acquire one common share at $1.07 per share until May 31, 2004.

Warrants issued during the year and outstanding at December 31, 2002 are as follows:

Exercise price	Number of options outstanding	Remaining life (years)	Number exercisable
Special warrants at $1.07	613	1.4	613
Agent warrants at $0.81	559	.9	559
Outstanding at December 31, 2002	1,172		1,172

12. INTEREST INCOME - NET

	2002	2001
Interest income	$ 120	$ 847
Less: Interest on long-term debt	(18)	-
	$ 102	$ 847

An additional $39 in interest was paid in 2002 and capitalized during the construction period as part of building costs.

13. RESTRUCTURING COSTS

On December 31, 2000, the Company ceased all core operations at the Swan Hills Waste Treatment Centre (the "Facility") and completed the transfer of the Facility to the Province of Alberta for a nominal amount, and the transfer of unprocessed waste, consumable supplies and other assets at book value. The Company recorded restructuring costs of approximately $3,800 in connection with ceasing these operations, of which $926 remained payable as at December 31, 2001. During 2002, the Company settled accruals of $548 and provided for additional expenses of $158 related to the Facility and has $536 remaining payable at December 31, 2002.

14. EARNINGS (LOSS) PER SHARE

The weighted average number of common shares outstanding during the year was 23,047 (2001 - 15,694). The basic and diluted earnings (loss) per share are $(0.02) in 2002 and $0.09 in 2001. The options and warrants were excluded from the calculation of diluted earnings (loss) per share as the exercise price of options and warrants exceeds the average market price of the Company's common shares for the year. The earnings per share numbers for the prior year have been restated to reflect a five-for-one share consolidation authorized on May 31, 2002.

15. CONTINGENCIES AND COMMITMENTS

The Company is involved in various legal actions, which relate primarily to operations that have been discontinued. Management is of the opinion that losses, if any, arising from such legal actions, based on management's best estimate, have been provided for in the accounts, are covered by insurance, or would not have a material effect on these consolidated financial statements.

The Company has a lease commitment for office space in Calgary under a one-year lease expiring June 30, 2003. Monthly rent under this agreement is $2 per month.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Company's financial instruments comprised of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximates their carrying value due to the short-term nature of the instruments. The Company's carrying amounts for its long-term debt are estimated to approximate their fair market values based on financing terms available to the Company on December 31, 2002.

Credit risk

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents, which consist of short-term investments, are in place with major financial institutions. The Company, in the normal course of business, is exposed to credit risk from its customers substantially all of whom are either in the pharmaceutical industry or are within the Malaysian government. These accounts receivable are subject to normal industry credit risks. The Company manages its credit risk through its credit evaluation, approval and monitoring processes.

Foreign currency risk

A portion of the Company's business operations is in foreign jurisdictions, mainly through its joint venture. The Company is subject to normal risk associated with the fluctuation of foreign currencies; however, as the joint venture is self-sustaining the exposure to foreign exchange fluctuations is minimized.

17. RELATED PARTY TRANSACTIONS

At December 31, 2002, non-interest bearing loans outstanding to shareholders, directors, and officers were $nil (2001 - $100).

Interest paid to shareholders on the first mortgage on the Cambridge property totalled $10.

18. SUBSEQUENT EVENTS

Joint venture

On December 27, 2002, ASMA authorized the payment of a dividend and the repayment of all outstanding redeemable, non-cumulative, preference shares. The preference shares were redeemed for the original purchase price of ringgit Malaysia (RM) 10.00 per share and the amount of dividend was RM6.64 per share. The proceeds of this redemption and dividend amounted to Canadian $803 and were received in February 2003.

On February 5, 2003, the Company increased its joint venture ownership interest in ASMA from 23.75% to 25%. The purchase price for the additional 1.25% was $267 and resulted in an increase to intangible assets of $128.

Long-term debt

On January 7, 2003, the $375 third mortgage on the property in Cambridge, Ontario was paid in full. No part of this convertible debt was converted into shares.

On February 5, 2003, the first mortgages of $300 on the Cambridge building and $979 on the Markham property were repaid in full and refinanced with the Business Development Bank of Canada under a new first mortgage agreement of $2,200 secured by both properties and a general security agreement covering the assets of the Company. The first mortgage on these properties bears interest at the institution's floating rate (6.5% on February 5, 2003) and may be fixed at the option of the Company. The principal is repayable in monthly payments of $12 commencing on April 23, 2003 and ending February 23, 2018.

On February 5, 2003, the Company also entered into an $800 long-term equipment financing agreement with the Business Development Bank of Canada to finance its existing and anticipated equipment purchases. Under the terms of the agreement, only $250 of the $800 can be advanced until such time as the Markham manufacturing plant is cGMP certified. Certification is expected some time in the second quarter of 2003. No funds have been advanced under this facility as of the audit report date. The principal, once advanced, is repayable in one monthly installment of $11.5 followed by 83 consecutive monthly payments of $9.5.

Commitments

In January 2003, the Company signed a three-year lease agreement for warehouse space. Total annual lease commitments under this agreement amount to $55 in 2003, and $60 in each of 2004 and 2005.

19. MAJOR CUSTOMERS

During the year, sales were made to a major customer in ASMA that amounted to 39% of total consolidated sales. One other customer represented 14% of total consolidated sales. These two customers represented 32% and 21%, respectively, of outstanding accounts receivable at December 31 2002.

20. SEGMENTED INFORMATION

The Company is organized and managed as two business units namely the Orbus pharmaceutical business and the Malaysian monitoring business.

	2002			2001		
	Canada	Malaysia	Total	Canada	Malaysia	Total
Revenues						
Domestic	$ 1,908	$ 2,867	$ 4,775	$ 792	$ 2,600	$ 3,392
Caribbean	927	-	927	-	-	-
Other geographic areas	328	-	328	-	-	-
Total revenues	3,163	2,867	6,030	792	2,600	3,392
Interest income - net	64	38	102	828	19	847
Amortization	273	340	613	27	341	368
Segment operating income (loss)	(921)	947	26	(580)	1,014	434
Income tax expense (recovery)	-	337	337	(362)	339	(23)
Property, plant and equipment	7,410	1,530	8,940	22	2,167	2,189
Total assets	$ 11,812	$ 4,102	$ 15,914	$ 5,879	$ 4,115	$ 9,994

Revenue is attributed to countries based on the location of the client's billing address and property, plant and equipment are based on the country in which they are located.

FIVE YEAR REVIEW
(Unaudited)
(in thousands of dollars, except per share data)

	2002	2001	2000	1999	1998
Operations					
Revenues	$ 6,030	$ 3,392	$ 37,703	$ 46,794	$ 67,570
Operating expenses					
Direct and indirect	3,381	918	21,322	26,093	42,319
Administrative and selling	1,874	1,672	5,231	6,277	8,416
Research and development	136	-	-	-	-
Amortization	613	368	9,776	10,087	9,846
	6,004	2,958	36,329	42,457	60,581
Earnings before undernoted items	26	434	1,374	4,337	6,989
Interest income - net	102	847	1,133	905	1,752
Miscellaneous income	310	-	-	-	-
Restructuring costs	(158)	-	(3,785)	(1,874)	-
Pre-operating costs	(222)	-	-	-	-
Writedown of assets	-	-	(33,635)	-	-
Reversal of deferred revenue	-	-	44,026	-	-
Foreign exchange loss	(72)	-	-	-	-
Gain on disposal of property, plant and equipment	2	116	436	-	-
Earnings (loss) before income taxes	(12)	1,397	9,549	3,368	8,741
Income tax expense (recovery)	337	(23)	1,561	37	184
Earnings (loss) from continuing operations	(349)	1,420	7,988	3,331	8,557
Loss from discontinued operations	-	-	-	-	(3,607)
Gain on disposal of discontinued operations - net of tax	-	-	-	-	256
Net earnings (loss)	$ (349)	$ 1,420	$ 7,988	$ 3,331	$ 5,206
Net earnings (loss) per share *					
Continuing operations	$ (0.02)	$ 0.09	$ 0.51	$ 0.21	$ 0.55
Discontinued operations	-	-	-	-	(0.22)
Net earnings (loss)	$ (0.02)	$ 0.09	$ 0.51	$ 0.21	$ 0.33
Weighted average number of shares outstanding (thousands) *	$ 23,047	$ 15,694	$ 15,662	$ 15,662	$ 15,602
Cash Flows					
Cash provided by (used in)					
Continuing operations before working capital change	$ 191	$ 1,181	$ (6,758)	$ (965)	$ 2,486
Discontinued operations	-	-	-	-	(3,050)
Working capital change	437	(1,453)	3,351	15,906	(5,445)
Investing activities	(2,964)	260	888	(1,565)	10,109
Financing activities	(54)	(15,664)	-	-	(38,851)
Effect of exchange rate changes on cash and cash equivalents	(526)	-	-	-	-
Net cash provided (used)	$ (2,916)	$ (15,676)	$ (2,519)	$ 13,376	$ (34,751)
Financial Position					
Working capital (excluding bank debt)	$ 2,505	$ 5,736	$ 19,642	$ 10,542	$ 12,439
Total assets	15,914	9,994	32,093	82,265	102,083
Shareholders' equity	11,259	7,571	21,815	13,827	10,496

* The above numbers reflect a five-for-one share consolidation that was applied retroactively.

CORPORATE INFORMATION

Board of Directors

Denis C. Arsenault
Vice President Finance and
Chief Financial Officer
BOVAR Inc.
Toronto, Ontario

Franklin T. Bailey
Chairman
BOVAR Inc.
Calgary, Alberta

Murrey Dubinsky, Q.C. (1)(2)(3)
President
Administrative Consultants
Limited
Calgary, Alberta

Jeffrey J. McCaig (1)(2)(3)
President and
Chief Executive Officer
Trimac Corporation
Calgary, Alberta

Jeffrey W. Renwick
President and
Chief Executive Officer
BOVAR Inc.
Toronto, Ontario

Rodney F. Winkler
Director
Nor-Ocean
Oslo, Norway

(1) Corporate Governance and Risk Management Committee
(2) Audit Committee
(3) Human Resources Committee

Officers

Franklin T. Bailey
Chairman

Jeffrey W. Renwick
President and
Chief Executive Officer

Denis C. Arsenault
Vice President Finance and
Chief Financial Officer

Allan B. Aginsky
Vice President - New
Products Development

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Stock Exchange Listing

The Toronto Stock Exchange
Stock Symbol: BVR

Transfer Agent and Registrar

Computershare Trust
Company of Canada
Calgary, Toronto

Auditors

PricewaterhouseCoopers
LLP
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